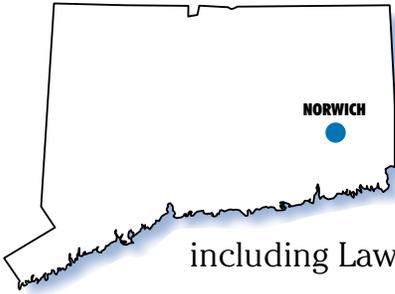


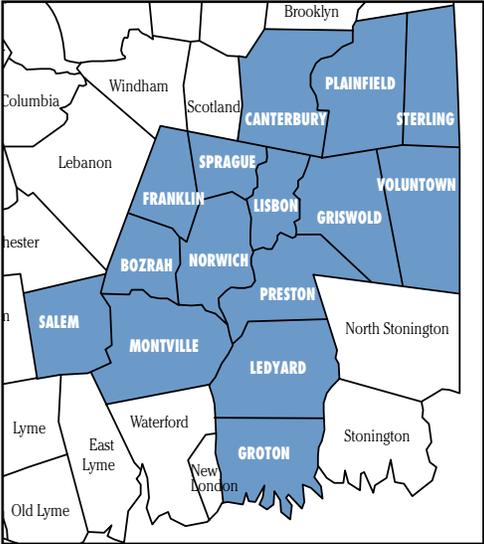
WILLIAM W. BACKUS HOSPITAL

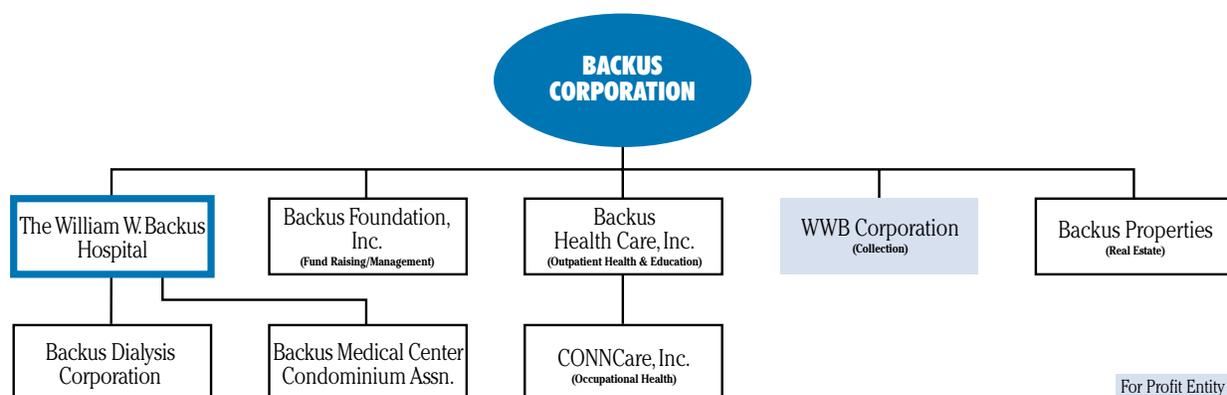
The William W. Backus Hospital, founded in 1893, is located in Norwich and, in addition to that town, primarily serves 14 other towns in New London County. In FY 1999, the



hospital staffed 182 of its 233 licensed beds and employed 1,082 Full Time Equivalents. It has numerous programmatic relationships with other hospitals,

including Lawrence and Memorial, Yale-New Haven, and Hartford Hospitals, along with Masonicare. The hospital's average age of plant is 12.7 years as compared to the U.S. average of 9.2 years.



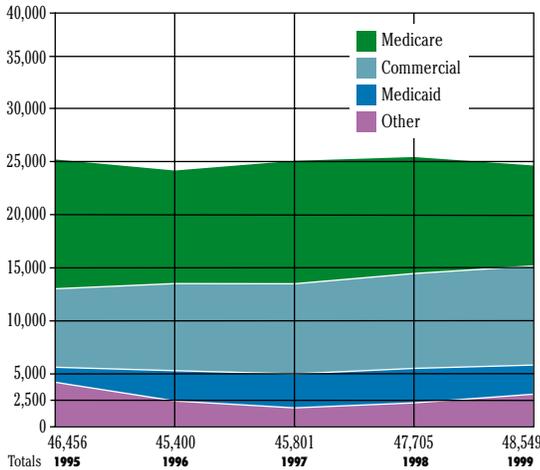


MARGINS	1997	1998	1999
Total margin	6.52%	8.96%	5.16%
Operating margin	4.60%	7.14%	3.63%

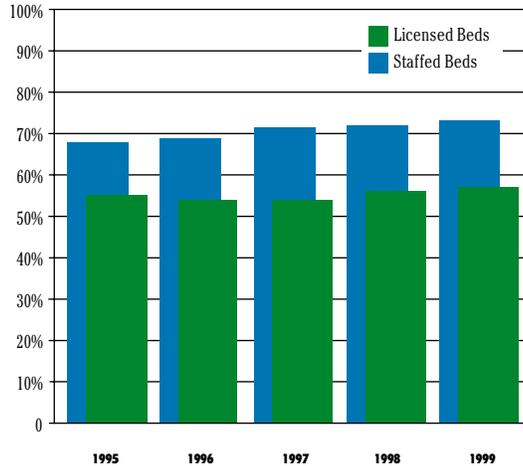
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.56	.55	.56
Medicare Payment to Cost	.95	.97	.89
Medicaid Payment to Cost	.71	.65	.70
Private Payment to Cost	1.34	1.40	1.35
Uncompensated Care Cost	\$3,439,759	\$3,200,284	\$4,337,031
Total expenses	\$89,268,619	\$95,764,297	\$104,273,210
Uncompensated care % of total expenses	3.85%	3.34%	4.16%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	38.30%	42.54%	48.35%
Debt service coverage	10.62	12.24	6.63

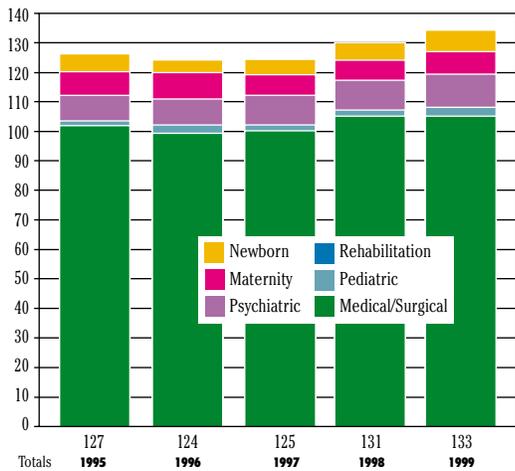
LIQUIDITY MEASURES			
Days of expenses in accounts payable	114.51	109.96	82.84
Days cash on hand	38.33	41.72	30.14
Days of revenue in accounts receivable	53.06	48.37	61.98



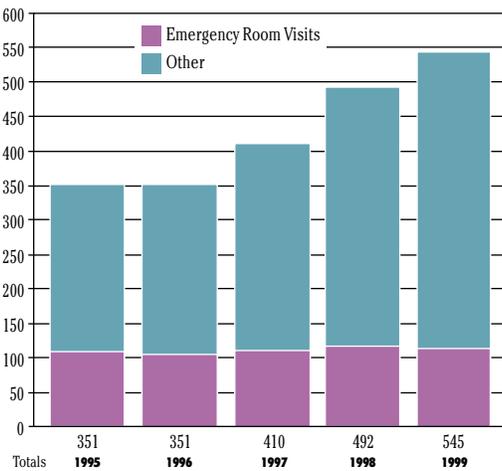
PATIENT DAYS BY PAYER



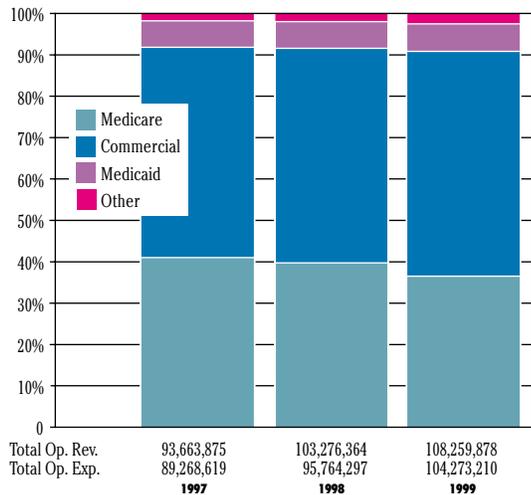
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ As the only acute care hospital in Norwich, William W. Backus Hospital has limited competition for inpatient services. Outpatient centers, especially physician-owned and operated facilities, compete for outpatient volume and revenue.
- ◆ Patient care volume, both inpatient and outpatient, at William W. Backus is growing. Volume for the year 2000 has exceeded prior year volume and budgeted expectations. Average daily census has increased from 124 in 1996 to 133 in fiscal year 1999.
- ◆ Over the past several years, the percentage of total revenue generated by private payers has increased while revenue from government payers has decreased. This mix change has assisted the hospital financially.
- ◆ An improved internal utilization review process has contributed to shorter lengths of stay.
- ◆ While the hospital does not offer pediatric psychiatric services, it frequently admits children with behavioral issues to the acute pediatric unit or holds them in the emergency room because of a lack of dedicated capacity.
- ◆ Recruitment and retention of talented staff is becoming increasingly difficult. The nursing shortage has affected the availability of clinical staff while the establishment of two casinos in the region has limited the availability of non-clinical, support staff.
- ◆ Annual pharmaceutical cost increases of 20 percent are not uncommon for the hospital.
- ◆ In 1998, Backus' net result from the uncompensated care pool was negative \$3.9 million.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Volume. Increases in patient volume are attributed to a series of initiatives aimed at expanding the geographic referral base and enhancing the hospital's reputation in the community. These initiatives include expanding the medical staff, establishing primary care capacity for the underserved, and developing a level II trauma and diabetes management centers.

Physician Competition. Management is concerned that if physicians attract away profitable services, the hospital's ability to subsidize indigent care will be eroded.

Behavioral Health. The closure of Norwich Hospital has left many behavioral health patients with few alternatives for appropriate care. For this reason, at times Backus' emergency room suites fill up with mental health and substance abuse patients.

Regulatory Environment. New regulations continue to place staffing and cost requirements on the hospital. Ambulatory Payment Classifications, corporate compliance regulations, and HIPAA requirements each will have an impact on Backus' staffing requirements and overall expense levels.